

Message Text

CONFIDENTIAL

PAGE 01 KINGST 03010 082043Z
ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 SP-02 INR-07 EB-07 AID-05

INRE-00 SSO-00 /051 W

-----082150Z 120809 /70 S

O 081820Z JUN 77

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 5720

AMCONSUL RECIFE IMMEDIATE

C O N F I D E N T I A L KINGSTON 3010

DEPARTMENT PASS AID FOR DONOR LION

MRS. CARTER'S PARTY FOR ASSISTANT SECRETARY TODMAN ONLY

E.O. 11652: XGDS-3

TAGS: EAID, EFIN, PFOR, JM, US

SUBJECT: ASSISTANCE AND POLICY: ARE WE WRITING OFF JAMAICA?

REF: A. ACTION MEMORANDUM DATED MAY 21, 1977 FROM ARA TO
SECSTATE B. KINGSTON 2353

APPROVAL WAS GIVEN IN THE REFERENCED ACTION MEMORANDUM
FOR A \$50 MILLION ASSISTANCE PACKAGE FOR JAMAICA CONSISTING
OF DEVELOPMENT LOANS, HOUSING INVESTMENT GUARANTEES AND PL-
480 DURING THE FY 77 AND 78 PERIOD. THE PACKAGE ADDRESSES
LONG TERM DEVELOPMENT AND BOP NEEDS, AND WILL HAVE ITS INITIAL
EFFECT IN CY 1978.

2. JAMAICA'S NEEDS ARE URGENT, AND THE ASSISTANCE PACKAGE
AS APPROVED FAILS TO MEET THEM IN TERMS OF IMMEDIACY,
AMOUNT AND EXPECTATIONS. THE APPROVED PROGRAM ROUGHLY
EQUATES WITH THE EMBASSY'S "MODES EXPANSION OPTION"
(SCENARIO III) IN REFTEL B. BY OUR READING, THE
PAPER CONTAINED NO OPTION WHICH WOULD HAVE BEEN
EITHER ADEQUATE OR SUFFICIENTLY TIMELY. AS THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINGST 03010 082043Z

REFERENCED ACTION MEMORANDUM POINTS OUT, JAMAICA FACES
AN UNFINANCEABLE FOREIGN EXCHANGE SHORTFALL OF \$70
MILLION IN THE THIRD QUARTER OF THIS CALENDAR YEAR.
THE APPROVED ASSISTANCE PACKAGE WOULD
YIELD ONLY \$10 MILLION DURING THIS PERIOD LEAVING
A CONTINUED SHORTFALL OF \$60 MILLION. (IMF STANDBY
CREDITS AND TRINIDADIAN ASSISTANCE HAVE ALREADY

BEEN TAKEN INTO ACCOUNT IN THESE FIGURES.) IN SHORT, THE PROGRAM, AS APPROVED, IS MERELY COSMETIC IN TERMS OF JAMAICA'S IMMEDIATE ECONOMIC CRISIS-- AND ONLY BARELY SO-- AND THERE IS LITTLE DOUBT THAT IT WILL BE SO PERCEIVED BY THE GOJ WHEN IT IS INFORMED OF OUR DECISION.

3. THERE WILL BE TWO IMMEDIATE CONSEQUENCES:

A. ECONOMICALLY, THE GOJ WILL HAVE TO TAKE IMMEDIATE MEASURES TO RESTRICT ITS IMPORTS FURTHER IN ORDER TO STAY WITHIN NEW MORE STRINGENT FOREIGN EXCHANGE CONSTRAINTS. THIS MUST INEVITABLY MEAN A CUTBACK OR TOTAL ELIMINATION OF RAW MATERIAL IMPORTS, CAUSING MAJOR LAYOFFS AND CLOSE-DOWNS IN THE MANUFACTURING SECTOR. IT IS ALSO PROBABLE THAT THE GOJ WILL BE FORCED INTO DEBT RESCHEDULING-- OR OUTRIGHT DEFAULT-- ON ITS EXTANT COMMITMENTS. EVEN WITH COMMERCIAL BANK AND BILATERAL LENDER ROLLOVERS, AND A DRASTIC CUTBACK IN IMPORTS, THE GOJ CAN SURVIVE BANKRUPTCY IN THE THIRD QUARTER ONLY WITH THE GREATEST DIFFICULTY.

B. POLITICALLY, PRIME MINISTER MANLEY WILL FACE A SERIOUS DILEMMA. FROM DEC 15, 1976 TO MARCH 27 THE SMALL BUT ENERGETIC RADICAL LEFT FACTION IN HIS RULING PNP DOMINATED THE NEW GOVERNMENT. THE RADICALS PROPOSED A PROGRAM OF "SELF-RELIANCE", THIS PROGRAM, PREDICATED ON ALMOST TOTAL AUSTERITY, WOULD HAVE RELIED HEAVILY ON COMECON ASSISTANCE. THE RADICALS FAILED TO CONSOLIDATE THEIR GAINS: NO
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINGST 03010 082043Z

COMECON SUPPORT WAS FORTHCOMING AND THEIR PROGRAM LACKED FOCUS AND COHERENCE. AT THE MARCH 26-27 OCHO RIOS PNP PARTY CONFERENCE, THE PARTY TURNED AWAY FROM THE RADICALS AND RETURNED TO THE MORE PRAGMATIC PROPOSALS OF THE MODERATES. THEN SUBSEQUENTLY, THE GOJ REFLECTING THE ASCENDANCY OF THE MODERATES, HAS GONE TO THE IMF AND IT HAS COME TO THE US. AS OF NOW IT WOULD APPEAR THAT THE MODERATES, TOO, WILL BE ACCUSED OF COMING BACK EMPTYHANDED. IN THE AFTERMATH OF THE VANCE-PATTERSON UNDERSTANDINGS, THE VISIT TO JAMAICA BY AN ECONOMIC TECHNICAL TEAM AND THE VISIT BY MRS. ROSALYNN CARTER, AN ASSISTANCE PACKAGE SUCH AS THAT APPROVED IN THE REFERENCED ACTION MEMORANDUM WILL COME AS A SEVERE SHOCK TO THE GOJ. THE EXACT CHARACTER OF PRIME MINISTER MANLEY'S REACTION IS DIFFICULT TO PREDICT, BUT THERE IS SOUND REASON TO CONCLUDE THAT HE WILL TURN AWAY FROM THE MODERATES. IF THE MODERATES ARE SHOWN TO BE

INCAPABLE OF MARSHALLING ADEQUATE FOREIGN ASSIST-
ANCE, THE ADVANTAGE WILL RETURN TO THE RADICALS.
THEY WILL BE THE ONLY POLITICAL FORCE IN THIS
COUNTRY WITH A PLAN--AND A TASTE--FOR IMPOSING
THE TOTAL AUSTERITY WHICH JAMAICA WILL REQUIRE.

4. IF IT IS IN OUR INTEREST TO ASSIST JAMAICA--
AND WE ARE PERSUADED THAT THERE ARE BILATERAL,
REGIONAL AND EVEN GLOBAL REASONS TO DO SO--THE
PACKAGE CONTAINED IN THE ACTION MEMORANDUM IS TOO
LITTLE AND ITS LIMITED EFFECT WILL BE TOO LATE. WE
WOULD HAVE EXPECTED THAT THE ACTION MEMORANDUM'S
OPTIONS--SURPRISINGLY NARROW IN OUR VIEW-- WOULD
HAVE INCLUDED FULL CONSIDERATION OF (A) PROGRAM
ASSISTANCE AND (B) TREASURY EXCHANGE STABILIZATION
FUNDS. WE UNDERSTAND FULLY HOW DIFFICULT IT WILL BE
TO GAIN APPROVAL FOR THESE TWO OPTIONS. NEVERTHE-
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KINGST 03010 082043Z

LESS, THE ASSISTANCE PROGRAM AS APPROVED FALLS SO
SHORT OF SERVING EITHER OUR INTERESTS OR JAMAICA'S NEEDS AND
EXPECTATIONS THAT ITS POSITIVE ECONOMIC AND POLITICAL EFFECTS
WILL, AT BEST, BE ONLY MARGINAL.
DORRANCE

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH S/S-O, MR. SHOEMAKER.

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN ASSISTANCE, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jun-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINGST03010
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X3
Errors: N/A
Expiration:
Film Number: D770204-1054
Format: TEL
From: KINGSTON
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770679/aaaacrgz.tel
Line Count: 146
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b190a182-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2232679
Secure: OPEN
Status: NATIVE
Subject: ASSISTANCE AND POLICY: ARE WE WRITING OFF JAMAICA?
TAGS: EAID, EFIN, PFOR, JM, US
To: STATE RECIFE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b190a182-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009